3. The May 1996 billing for the Lake House contract was for 837 hours yet the invoice only contains 825 hours. This caused the program to be overpaid $89. Should refund this amount to the state.

4. The organization resolved prior year findings 1-5 by following the recommendations included in our letter dated June 5, 1995.

This report is intended solely for the information of the Board of Directors, management, and others within the organization.

Zahn, Kenney & Bresette

Zahn, Kenney & Bresette
Certified Public Accountants

April 10, 1997

We noted certain matters involving the internal control structure and its operation that we considered to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. We consider the following to be reportable conditions:

1. Due to limited resources available, there is no segregation of duties with regard to the maintenance, recording, reporting and safeguarding of assets. This condition is being repeated from our prior year report.

2. Financial transactions are not recorded and summarized each month to allow for the preparation of interim financial statements for review by management. This condition is being repeated from our prior year report.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the reportable conditions described above are material weaknesses.

We also noted other matters involving the internal control structure and its operations that we have reported to the management of Lake House in a separate letter dated April 10, 1997.

This report is intended for the information of the board of directors, management, the Louisiana Department of Social Services, and the Louisiana Department of Health & Hospitals, Office of Human Resources. However, this report is also a matter of public record, and its distribution is not limited.

Zahn, Kenney & Bresette

Zahn, Kenney & Bresette
Certified Public Accountants

April 10, 1997

Zahn, Kenney & Bresette
Certified Public Accountants

Independent Auditors' Report on Compliance with Laws and Regulations Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Directors
St. Tammany Guidance Center
Lake House
1912 Jefferson Street
Mandeville, LA 70448

We have audited the financial statements of Lake House as of and for the year ended June 30, 1996 and have issued a report thereon dated April 10, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, and contracts applicable to Lake House is the responsibility of Lake House's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Lake House's compliance with certain provisions of laws, regulations and contracts. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

We noted certain immaterial instances of noncompliance that we have reported to management in a letter dated April 10, 1997.

This report is intended for the information of the board of directors, management, the Louisiana Department of Social Services, and the Louisiana Department of Health and Hospitals, Office of Human Resources. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Zahn, Kenney & Bresette

Zahn, Kenney & Bresette
Certified Public Accountants

April 10, 1997

Zahn, Kenney & Bresette
Certified Public Accountants

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COMMUNICATION OF REPORTABLE CONDITIONS TO MANAGEMENT AND THE BOARD OF DIRECTORS - IDENTIFICATION OF MATERIAL WEAKNESSES

To the Board of Directors
and Executive Director of
St. Tammany Guidance Center -
Lake House

In planning and performing our audit of the financial statements of St. Tammany Guidance Center - Lake House (Lake House) for the year ended June 30, 1996, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect Lake House's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following reportable conditions that we believe to be material weaknesses:

1. Due to limited resources available there is no segregation of duties with regard to the maintenance, recording, reporting and safeguarding of assets of Lake House.

2. Financial transactions are not recorded and summarized each month to allow for the preparation of interim financial statements for review by management.

3. These findings are repeated from our prior year report.

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ST. TAMMANY GUIDANCE CENTER
LAKE HOUSE

FINANCIAL STATEMENTS AND
AUDITORS' REPORTS

FOR THE YEAR ENDED JUNE 30, 1996

ST. TAMMANY GUIDANCE CENTER
LAKE HOUSE

TABLE OF CONTENTS

Zahn, Kenney & Bresette
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
St. Tammany Guidance Center
Lake House
1912 Jefferson Street
Mandeville, LA 70448

We have audited the accompanying statement of financial position of St. Tammany Guidance Center - Lake House, a non-profit organization, as of June 30, 1996, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of St. Tammany Guidance Center - Lake House's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States and the Office of Management and Budget (OMB) Circular A-133. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Tammany Guidance Center - Lake House as of June 30 1996, and the changes in its net assets and its cash flows for the fiscal year then ended in conformity with generally accepted accounting principles.

Zahn, Kenney & Bresette

Zahn, Kenney & Bresette
Certified Public Accountants

April 10, 1997

700 Papworth Avenue Suite 101 · Metairie, Louisiana 70005 · (504) 831-6635
4954 Highway 22 · Mandeville, Louisiana 70448 · (504) 845-2360

ST. TAMMANY GUIDANCE CENTER
LAKE HOUSE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 1996

Assets	
Cash	$ 9,432
Certificates of deposit	20,000
Accounts receivable (Note 2)	16,690
Prepaid expenses	9,373
Property and Equipment, net of $58,007 of accumulated depreciation (Note 3)	32,458
Total assets	$ 87,953

LIABILITIES AND NET ASSETS	
Accounts payable	$ 4,121
Accrued payroll taxes	6,250
Accrued salaries	2,510
Total liabilities	12,881
Unrestricted net assets	75,072
Total liabilities and net assets	$ 87,953

The accompanying notes are an integral part of the financial statements.

ST. TAMMANY GUIDANCE CENTER
LAKE HOUSE

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

Revenue, gains and other support	
Fees from state contracts	$ 191,823
Fees from medicaid	8,478
Fees from service contracts	56,430
Investment income	5,889
Public support	1,784
Other revenue	5,965
Total Revenue	270,369
Expenses	
Lake House	216,746
Supplemental employment	58,260
LINC	34,500
Drop-In- Center	15,147
Carroll Street	841
Total Expenses	325,494
Excess (deficit) of revenue over expenses	(55,125)
Net assets beginning of year	130,197
Net assets end of year	$ 75,072

The accompanying notes are an integral part of the financial statements.

ST. TAMMANY GUIDANCE CENTER
LAKE HOUSE

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

NOTE 1--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Organization

1. The Board of Directors of St. Tammany Guidance Center formed Lake House to fulfill a community need. Lake House is organized as a psychosocial rehabilitation club house, and is part of a non-profit organization. This audit is for Lake House only as a separate operation and not for St. Tammany Guidance Center as a whole.

2. Economic Dependence - Lake House is significantly funded by the State of Louisiana, Department of Health and Hospitals and Medicaid. Small amounts are received as contributions and no large fund raisers are planned for the near future. Should the State of Louisiana cut its funding or should Medicaid disallow items, Lake House would be required to reduce its services.

B. Significant Accounting Policies

1. Revenue

Medicaid pays a portion of the charges for member-client care, and the State of Louisiana, Department of Health and Hospitals provides a charge per hour per member-client for the non-Medicaid portion. Medicaid denials are submitted to the State of Louisiana for payment. For those member-clients who do not qualify for Medicaid, private medical insurance is billed should the member-client have such coverage.

The accounting records are kept on a cash basis throughout the year and converted to the accrual basis at year end. These financial statements are issued on the accrual basis of accounting.

2. Property and Equipment

Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

3. Income Taxes

Lake House has been granted tax exempt status as provided by Section 501(c)(3) of the Internal Revenue Code.

4. Cash and Cash Equivalents

For purpose of the statement of cash flows, Lake House considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

We also noted the following reportable conditions that are not believed to be material weaknesses:

1. The procedures used to review and maintain vouchers for the LINC program need to be tightened as the following minor discrepancies were noted:

* The file copy of the July 1995 voucher does not contain signature indicating supervisory approval.
* The November 1995 voucher billed for 272 hours when the time records show 280 hours of actual services provided.
* The May 1996 voucher did not contain a calculator tape indicating math accuracy was verified.
* Copies of travel expense forms for August 1995, December 1995, February 1996 and March 1996 do not include the back of the document which details the mileage charged.
* Expense form could not be located for 125 miles claimed for July 1995 in August 1995.
* Odometer readings for January, May and June 1996 are not mathematically correct for the mileage claimed.

2. The procedures used to complete and maintain the vouchers for the Drop-In-Center need to be tightened as the following minor discrepancies were noted:

* The file copies of the invoices for July, November and December 1995 do not contain signatures indicating supervisory approval.
* Double-billed travel for March (billed in March and again in April) and for May (billed in May and again in June). Received reimbursement twice. Total overbilled was $410 which should be refunded to the state.
* Was reimbursed $1,633 for travel (including amount double billed above). This amount was included as supplies on the vouchers. The contract budget does not include line-item for travel. This amount should be refunded to the state ($1633 - 410 = 1223).
* Voucher for February was mathematically incorrect leading to an overbilling of $12. This error was caught by state prior to reimbursement so no overpayment occurred.
* The June 1996 voucher showed $1,347 for supplies. Invoices attached only totaled $1,288. Unless the invoice(s) for $59 of supplies can be located, this amount should be refunded to the state.
* The September 1995 voucher showed $1,158 for personnel services. Only $1,034 in checks could be located. Unless the additional $124 can be verified, it should be refunded to the state.
* Telephone expenses in the amount of $208 were invoiced as supplies. Contract budget does not include line-item for telephone. This amount should be refunded to the state.
* The budget for related benefits is computed at 15% of the salaries of the Program Directors (2 at $5,200 = $10,400 x 15% = $1,560). The Program Directors only made $8,950. The reimbursement thus should have been limited to $1,343 (15% of $8,950). However, reimbursements in the amount $1,560 were received. The $217 difference should be refunded to the state.•

NOTE 2--ACCOUNTS RECEIVABLE

The accounts receivable are due from the Louisiana Department of Health and Hospitals, the Louisiana Department of Social Services, and Southeast Louisiana Hospital for services provided through June 30, 1996. All receivables are expected to be collected in a timely manner. The accounts receivable balance consists of the following:

Louisiana:	
Department of Health and Hospitals	$ 11,241
Department of Social Services	2,092
Southeast Louisiana Hospital	3,357
Total	$ 16,690

NOTE 3--PROPERTY AND EQUIPMENT

There were $15,235 of additions and no deletions or retirements of equipment for the fiscal year ended June 30, 1996. Depreciation is calculated using the straight line method over a useful life of five to twelve years. Property and equipment consist of the following:

	Costs	Depreciation Expense	Accumulated Depreciation	Net Book Value
Vans	$30,105	$1,861	$19,961	$10,144
Furniture & Fixtures	10,262	849	5,543	4,719
Equipment	50,098	5,956	32,503	17,595
Balance, June 30, 1996	$90,465	$8,666	$58,007	$32,458

Zahn, Kenney & Bresette
Certified Public Accountants

Independent Auditors' Report on the Internal Control Structure
Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards

Board of Directors
St. Tammany Guidance Center
Lake House
1912 Jefferson Street
Mandeville, LA 70448

We have audited the financial statements of St. Tammany Guidance Center - Lake House (Lake House) as of and for the year ended June 30, 1996 and have issued our report thereon dated April 10, 1997.

We conducted the audit in accordance with generally accepted auditing standards and with Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of Lake House is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorizations and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing the audit of the financial statements of Lake House for the year ended June 30, 1996 we obtained an understanding of its internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed the control risk in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to express assurance on the internal control structure. Accordingly, we do not express such an opinion.

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ST. TAMMANY GUIDANCE CENTER
LAKE HOUSE

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

Cash Flow From Operating Activities:	
Excess (deficit) revenues over expenses	$ (55,125)
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by operations:	
Depreciation	8,666
Decrease (Increase) in accounts receivable	7,854
Decrease (Increase) in prepaid expenses	(3,562)
Increase (Decrease) in accounts payable	(1,060)
Increase (Decrease) in accrued payroll taxes	1,800
Increase (Decrease) in accrued salaries	(204)
Net cash used by operations	(41,631)
Cash flows from investing activities:	
Purchases of fixed assets	(15,235)
Net cash used by investing activities	(15,235)
Net decrease in cash	(56,866)
Cash at beginning of year	86,298
Cash at end of year	$ 29,432

The accompanying notes are an integral part of the financial statements.